



# ECONOMIC INDICATORS

## CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: December 10, 2014

### ISSUE HIGHLIGHTS.....

- ❑ **Norfolk Unemployment:** Norfolk's unemployment rate (not seasonally adjusted) declined to 6.2 percent in October, which was 0.5 percentage point below both last year's rate (October 2013) and last month's rate (September 2014) of 6.7 percent. (See page 1)
- ❑ **State Employment:** Virginia nonfarm employment (not seasonally adjusted) rose year-over-year by 0.41 percent (or 15,500 jobs) in October to 3,799,600 jobs from 3,784,100 jobs last year (October 2013). This was the eighth consecutive month of year-over-year growth. (See page 2)
- ❑ **Regional Employment:** Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year by 0.76 percent (or 5,700 jobs) in October, which marked the fifth straight month of year-over-year growth. (See page 2)
- ❑ **Regional and Norfolk Housing Market:** Through October, the average sales price of homes sold in Hampton Roads rose slightly from last year by 0.3 percent to \$234,439 from \$233,766 last year. The average sales price of homes sold in Norfolk through October fell 1.1 percent, from \$195,989 last year to \$193,884. (See page 3)
- ❑ **Norfolk Residential Building Permits:** Through October, housing units permitted were above last year by 47 units. The year-to-date increase was mainly from housing units permitted in nonresidential buildings being converted to apartments and single-family housing units. (See page 4)
- ❑ **Norfolk Sales Tax:** In October, Norfolk sales taxes rose 2.4 percent from last year (October 2013), the sixth straight month of year-over-year growth. FY 2014 through October, Norfolk sales taxes totaled about \$10.3 million, which was 4.6 percent (about \$456,900) above the amount from the same period last year. (See page 5)
- ❑ **National Economy:** Real GDP grew at an annual rate of 3.9 percent (second estimate) in the third quarter, below the 4.6 percent growth in the second quarter. (See page 6)

### Residential Employment

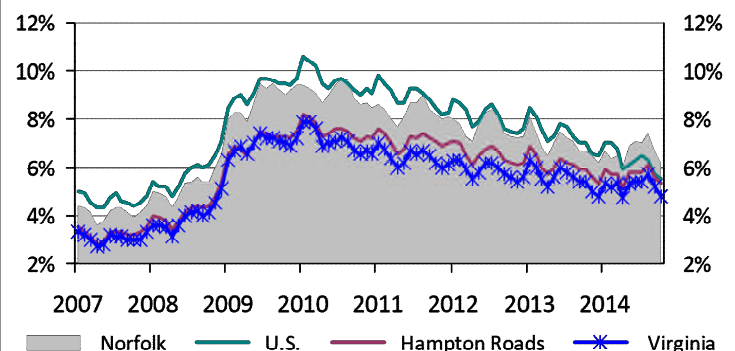
#### Hampton Roads and State Unemployment Rate (not seasonally adjusted)

|                | October 2014* | September 2014 | October 2013 | 10-Year Average |
|----------------|---------------|----------------|--------------|-----------------|
| <b>Norfolk</b> | <b>6.2%</b>   | <b>6.7%</b>    | <b>6.7%</b>  | <b>6.5%</b>     |
| Chesapeake     | 4.9%          | 5.2%           | 5.6%         | 5.0%            |
| Hampton        | 6.0%          | 6.3%           | 6.9%         | 6.1%            |
| Newport News   | 5.9%          | 6.2%           | 6.5%         | 5.9%            |
| Portsmouth     | 6.2%          | 6.7%           | 7.5%         | 6.7%            |
| Suffolk        | 5.6%          | 5.9%           | 6.0%         | 5.4%            |
| Virginia Beach | 4.8%          | 5.0%           | 5.2%         | 4.6%            |
| Hampton Roads  | 5.3%          | 5.6%           | 5.9%         | 5.3%            |
| Virginia       | 4.8%          | 5.2%           | 5.4%         | 5.0%            |

Norfolk's unemployment rate (not seasonally adjusted) fell to 6.2 percent in October, which was 0.5 percentage point below last year's rate (October 2013) and last month's rate (September 2014). According to the Virginia Employment Commission, the not seasonally adjusted unemployment rate "usually declines from September to October with the employment buildup in public and private schools." The unemployment rate fell from last year as the number of unemployed residents fell by 407 (5.9 percent), while the labor force expanded by 1,462 (1.4 percent) with the number of employed residents rising by 1,869 (1.9 percent).

The unemployment rate of all seven major cities in the region, as well as, the state and region, followed the same trend, declining from last year and last month. Compared to the national rate, only the unemployment rate in Chesapeake and Virginia Beach fell below the national rate (5.5 percent, not seasonally adjusted) among the seven major cities.

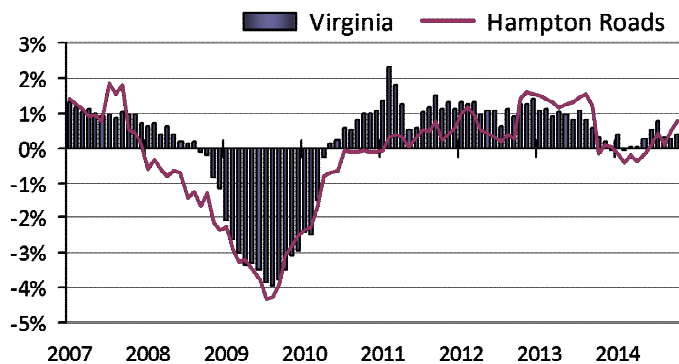
#### Unemployment Rate: Norfolk, Region, State and National (not seasonally adjusted)



## State and Regional Employment

### State and Regional Job Change

(percent change from last year, not seasonally adjusted)



Statewide nonfarm employment (not seasonally adjusted) rose year-over-year for the eighth straight month by 0.41 percent (or 15,500 jobs) in October to 3,799,600 jobs from 3,784,100 jobs last year (October 2013). The majority of the growth came from education and health services. According to the Virginia Employment Commission, the *seasonally adjusted* statewide nonfarm employment “has yet to surpass its April 2008 pre-recession peak.”

Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year by 0.76 percent (or 5,700 jobs) in October. This was the fifth straight month of growth and was the largest year-over-year growth both in terms of percentage and number of jobs in those five months. Among the other Virginia metropolitan areas, three of the state’s metropolitan areas (Danville, Lynchburg, and Roanoke) had a year-over-year decline in nonfarm employment in October (not seasonally adjusted), which was similar to last month.

### October Job Change in Select Industries

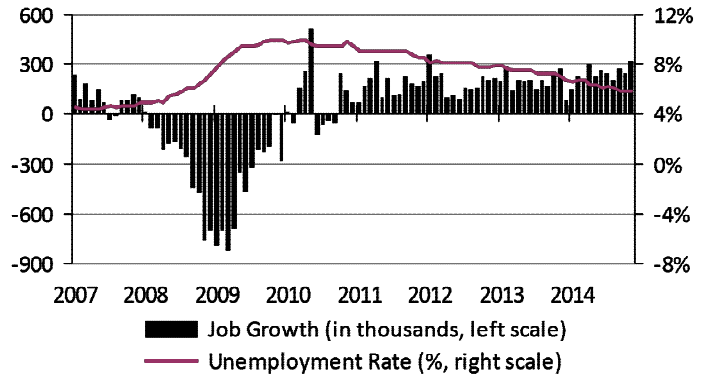
(not seasonally adjusted<sup>1</sup>; job changes are from previous year)

|                                    | Hampton Roads <sup>2</sup> | Virginia <sup>2</sup> |
|------------------------------------|----------------------------|-----------------------|
| Construction                       | 2,500                      | 4,600                 |
| Manufacturing                      | 500                        | 1,500                 |
| Trade (Retail and Wholesale)       | 1,900                      | -3,700                |
| Transportation and Utilities       | -600                       | -2,100                |
| Information                        | -300                       | -1,100                |
| Financial Activities               | 1,700                      | 3,500                 |
| Professional and Business Services | -2,500                     | -8,600                |
| Educational and Health Services    | 2,800                      | 17,200                |
| Leisure and Hospitality            | 1,400                      | 1,200                 |
| Government                         | -1,900                     | -700                  |
| Federal Government                 | -1,000                     | -1,900                |
| State Government                   | 100                        | 1,700                 |
| Local Government                   | -1,000                     | -500                  |

## National Employment

### National Job Growth and Unemployment

(job growth over previous month, seasonally adjusted)



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose 321,000 in November, the largest monthly gain since January 2012. With the October and September job growth revised upward by 29,000 and 15,000 jobs, respectively, nonfarm payroll employment year-to-date through November has risen by 2.65 million (or a monthly average of 241,000 jobs). Employment growth this year is currently tracking to be the highest annual growth since 1999. Growth year-to-date has been widespread. However, within the public sector, local and state government has provided all of the employment gains to date, while the federal government is tracking towards its fourth straight year of job loss. In November, the seasonally adjusted unemployment rate was unchanged from October at 5.8 percent.

### National Job Change by Industry

(seasonally adjusted; Oct./Nov. growth are from previous month)

|                                | Oct. 2014 <sup>3</sup> | Nov. 2014 <sup>2</sup> | 2014 YTD <sup>3</sup> |
|--------------------------------|------------------------|------------------------|-----------------------|
| Mining & Logging               | 1,000                  | 0                      | 44,000                |
| Construction                   | 7,000                  | 20,000                 | 233,000               |
| Manufacturing                  | 20,000                 | 28,000                 | 164,000               |
| Trade/Transportation/Utilities | 56,000                 | 71,000                 | 477,000               |
| Information                    | -5,000                 | 4,000                  | 17,000                |
| Financial Activities           | 6,000                  | 20,000                 | 112,000               |
| Professional/Business Services | 52,000                 | 86,000                 | 680,000               |
| Educational/Health Services    | 37,000                 | 38,000                 | 424,000               |
| Leisure and Hospitality        | 55,000                 | 32,000                 | 359,000               |
| Other Services                 | 7,000                  | 15,000                 | 61,000                |
| Government                     | 7,000                  | 7,000                  | 79,000                |
| Federal Government             | -2,000                 | 5,000                  | -17,000               |
| State Government               | 7,000                  | 3,000                  | 16,000                |
| Local Government               | 2,000                  | -1,000                 | 80,000                |
| <b>Total Job Growth</b>        | <b>243,000</b>         | <b>321,000</b>         | <b>2,650,000</b>      |

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. <sup>1</sup> Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. <sup>2</sup> Preliminary. <sup>3</sup> Revised.

## Regional Housing Market

| Jan.—Oct.<br>Home Sales | Housing Units<br>Sold |        | Average Days<br>on Market |      |
|-------------------------|-----------------------|--------|---------------------------|------|
|                         | 2013                  | 2014   | 2013                      | 2014 |
| Hampton Roads           | 18,390                | 17,783 | 88                        | 84   |
| Norfolk                 | 2,213                 | 2,166  | 91                        | 81   |
| Chesapeake              | 3,010                 | 2,801  | 73                        | 71   |
| Hampton                 | 1,186                 | 1,157  | 100                       | 106  |
| Newport News            | 1,405                 | 1,489  | 97                        | 92   |
| Portsmouth              | 1,040                 | 1,099  | 97                        | 94   |
| Suffolk                 | 1,138                 | 1,137  | 92                        | 89   |
| Virginia Beach          | 5,283                 | 4,944  | 73                        | 70   |

## Average Residential Sales Price: January - October

| Area           | 2014      | 2013      | % Change |
|----------------|-----------|-----------|----------|
| Hampton Roads  | \$234,439 | \$233,766 | 0.3%     |
| Norfolk        | \$193,884 | \$195,989 | -1.1%    |
| Chesapeake     | \$250,585 | \$248,860 | 0.7%     |
| Hampton        | \$155,202 | \$149,105 | 4.1%     |
| Newport News   | \$161,430 | \$163,792 | -1.4%    |
| Portsmouth     | \$132,285 | \$122,124 | 8.3%     |
| Suffolk        | \$240,661 | \$231,318 | 4.0%     |
| Virginia Beach | \$285,039 | \$282,112 | 1.0%     |

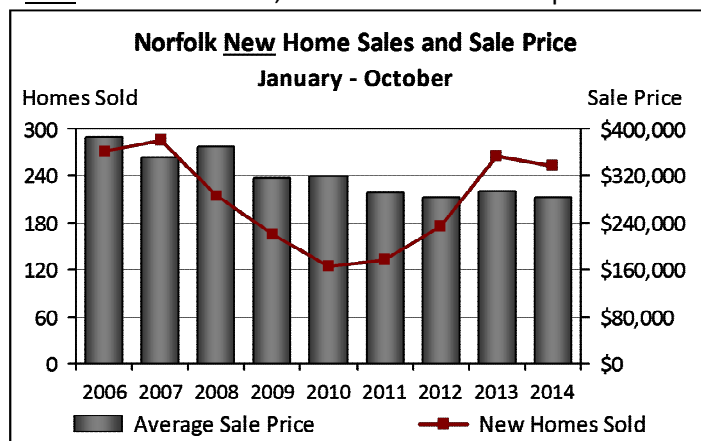
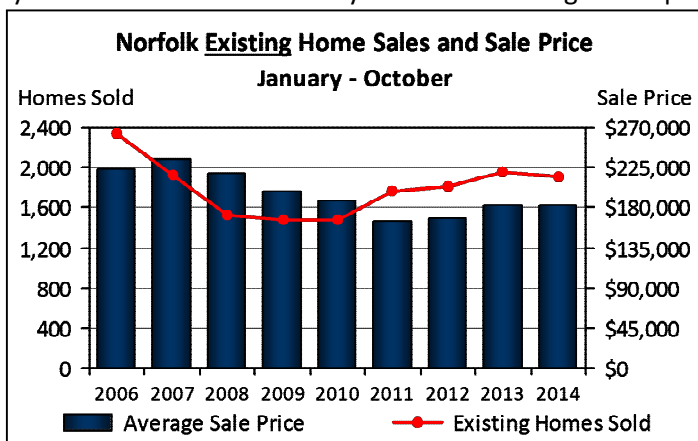
The average sales price of homes sold in Hampton Roads year-to-date through October rose slightly from the same period last year by 0.3 percent, as reported by the Real Estate Information Network (REIN). Among the seven major cities of the region, only Newport News and Norfolk are seeing a year-over-year decline in the average sales price of homes sold year-to-date by 1.4 percent and 1.1 percent, respectively. REIN indicated that distressed homes on the regional housing market appear to be leveling off and having less of an impact which should support home prices.

According to REIN, the number of homes sold in Hampton Roads year-to-date through October was below last year by 3.3 percent. Among the seven major cities, only Newport News and Portsmouth are seeing an increase in home sales year-to-date of 6.0 percent and 5.7 percent, respectively, although homes sales in Suffolk edged down by only one home. REIN reported an 11.91 percent increase in residential pending sales (a leading indicator of future sales) in October from last year (October 2013), and among the seven cities, Norfolk and Suffolk had the largest increase of 29.65 percent and 24.04 percent, respectively. Residential listings rose 8.7 percent in the region in October from last year, with all seven major cities except Portsmouth seeing an increase. REIN indicated the months' supply of inventory stood at 6.89 months, with six months considered to be a "balanced" market (neither a buyer or seller's market).

## Norfolk Housing Market

From January through October, the number of existing homes sold in Norfolk fell 1.8 percent (36 homes) from last year, which reflected a decline in sales of both attached and detached homes. New home sales also fell from last year by 4.2 percent (11 homes). The decline in new home sales was mainly due to new detached home sales, which were down 8.1 percent (17 homes), while sales of new attached homes were up 10.7 percent (6 homes) year-to-date. Overall, home sales were down year-to-date by 2.1 percent (47 homes).

The average sales price of existing homes sold year-to-date declined slightly by 0.3 percent to about \$182,200 from \$182,800 last year. The decrease was mainly due to the average sales price of existing detached homes sold, down by 1.6 percent. The average sales price of new homes sold also fell 3.7 percent to about \$282,300 from \$293,000 last year. The decline was mainly due to the average sales price of new attached homes, which was down 16.4 percent.



Source: Real Estate Information Network (REIN)

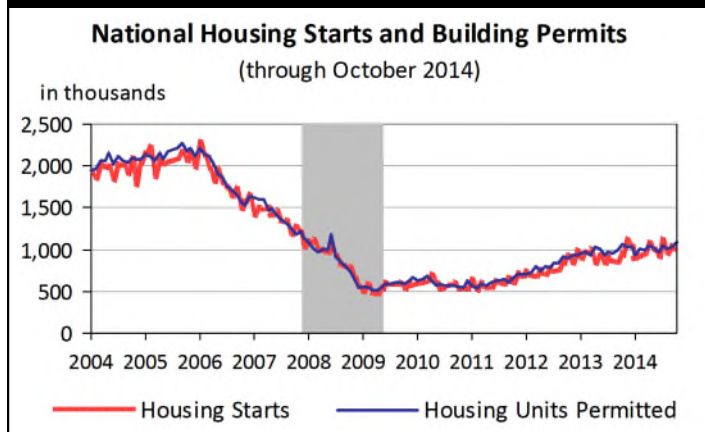


## National Housing Market

National Association of Realtors (NAR) reported existing home sales nationwide advanced further in October to a seasonally adjusted annual rate (SAAR) of 5.26 million, which was above last month's (September 2014) revised 5.18 million rate by 1.5 percent and last year's revised 5.13 million rate (October 2013) by 2.5 percent. This was the first year-over-year increase in twelve months. NAR indicated home sales are likely to keep rising with continued job creation, rising rents (which may tip some renters to ownership), and dialing down of underwriting standards.

New home sales in October also rose for the third straight month from last month's (September 2014) revised rate of 455,000 to 458,000 (SAAR), a 0.7 percent increase. New home sales were also above last year's (October 2013) revised rate of 450,000 (SAAR) for the fourth straight month by 1.8 percent. The average sales price of existing homes sold rose 4.0 percent to \$254,800 from \$245,000 last year, while the average sales price of new homes sold rose 19.5 percent to \$401,100 from \$335,700.

## National New Residential Construction



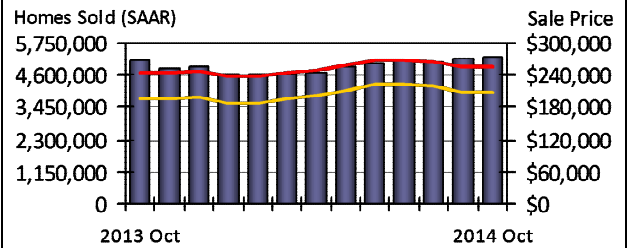
The Census Bureau reported privately-owned housing units authorized by building permits rose to a seasonally adjusted annual rate (SAAR) of 1,080,000 in October from 1,031,000 in September (revised), an increase of 4.8 percent, which was due to both single and multi-family authorizations. Compared to last year (October 2013), units permitted were up for the fifth straight month by 1.2 percent from last year's rate of 1,067,000. The increase was mainly from single-family authorizations and units authorized in buildings with two to four units.

Privately-owned housing starts fell in October by 2.8 percent to 1,009,000 (SAAR) from a revised 1,038,000 in September. The decline was mainly due to multi-family (five units or more) housing starts. Compared to last year, housing starts rose for the seventh straight month by 7.8 percent from last year's 936,000 (SAAR), mainly due to single-family housing starts. The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building.

Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Department of Development. \* "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Notes: Norfolk housing units permitted in prior years may be revised due to cancelled, abandoned, expired and revoked permits. Shaded area denotes recession.

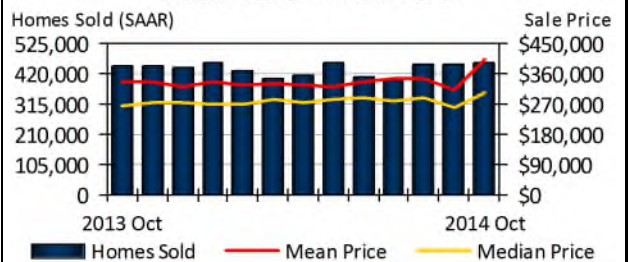
### Existing Home Sales and Sale Price

October 2013 - October 2014



### New Home Sales and Sale Price

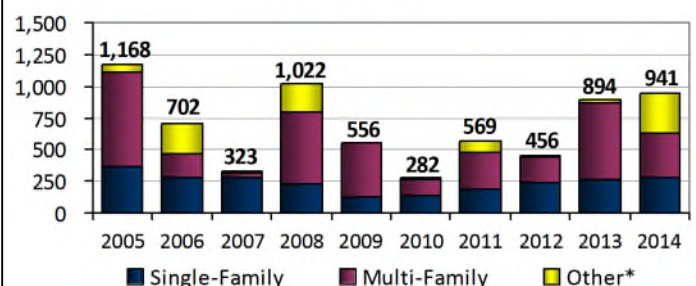
October 2013 - October 2014



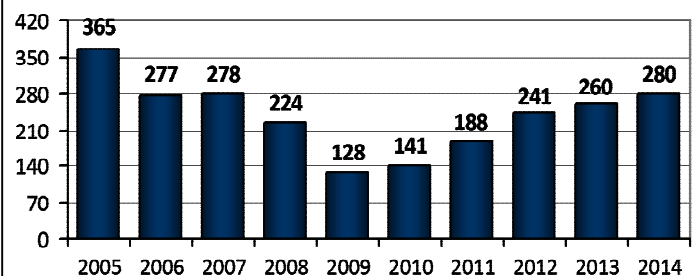
## Norfolk Residential Building Permits

Through October, housing units permitted in Norfolk were above last year by 47 units (5.3 percent). The majority of the increase was from housing units permitted in nonresidential buildings being converted to apartments such as, the former Union Mission Building Trader office building, and single-family housing units. This increase (300 units) offset most of the decline from housing units permitted in new multi-family structures (266 units) and accessory dwellings (7 units), while permitted housing units in single-family structures rose by 20 units.

### Number of Housing Units Permitted in Norfolk January - October



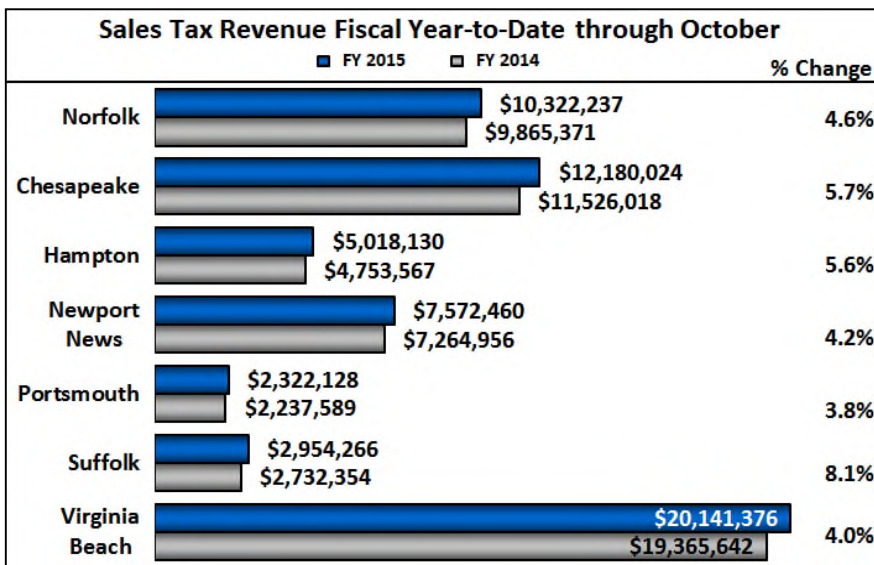
### Number of New Single-Family Dwellings Permitted in Norfolk: January - October



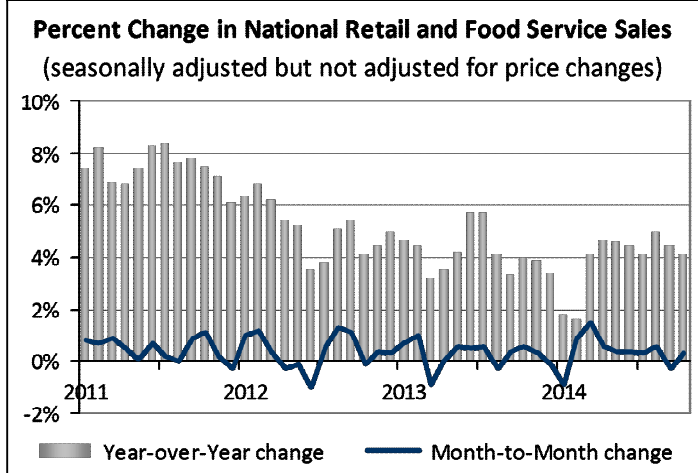
## Norfolk and Regional Sales Tax

The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in October rose 2.4 percent to about \$2.617 million from \$2.556 million last year. This was the sixth straight month of year-over-year growth. For the month of October alone, sales taxes also rose in all the other major cities in region, except in Newport News, where there was a slight decline of 0.4 percent. Suffolk and Virginia Beach both continued to have the largest percentage and dollar increase, respectively, same as last month.

Fiscal year-to-date through October, Norfolk sales tax collections totaled about \$10.3 million, which was 4.6 percent (about \$456,900) above the amount collected over the same period last year. Sales tax revenue were up in all the seven major cities through October, with the increase ranging from 3.8 percent (Portsmouth) to 8.1 percent (Suffolk).



## National Retail and Food Service Sales

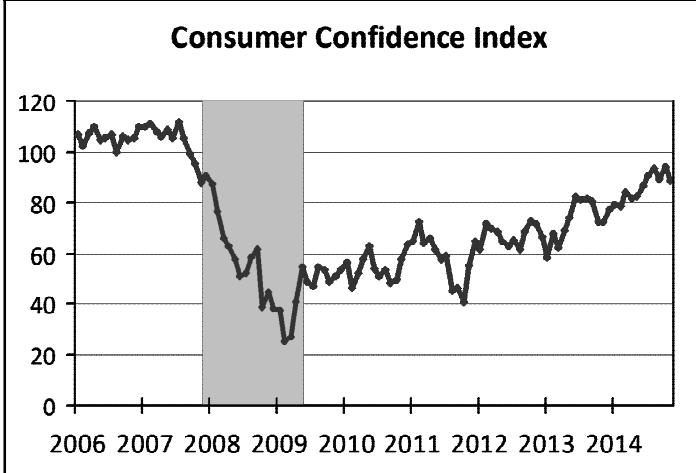


The U.S. Census Bureau reported national retail and food services sales rebounded in October rising 0.3 percent (preliminary) from the previous month (September 2014), which followed a monthly decline of 0.3 percent. Sales from most major business categories rose in October. The exceptions were sales from gas stations, electronics and appliance stores, and department stores which declined 1.5 percent, 1.6 percent, and 0.3 percent, respectively. The decline in sales from electronics and appliance stores was the first in four months.

Compared to last year (October 2013), retail and food service sales were up 4.1 percent (preliminary). Similar to last month, the increase was broad based, and only department stores and gas stations had a year-over-year decline in sales. The decline in gas stations sales reflected the decline in gas prices. The monthly average price of regular gas has fallen steadily from \$3.69/gallon in June to \$3.17/gallon in October, according to the U.S. Energy Information Administration.

Source: Virginia Department of Taxation (TAX), U.S. Census Bureau, U.S. Energy Information Administration and Conference Board.

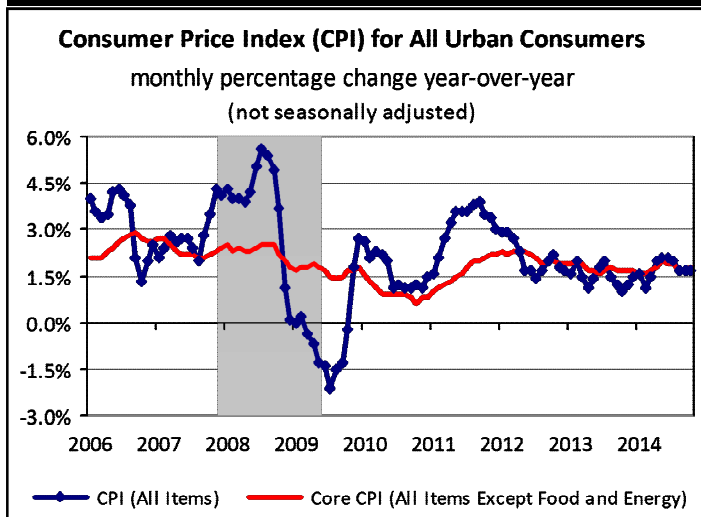
## Consumer Confidence Index



The Conference Board reported the Consumer Confidence Index retreated in November to 88.7 from 94.1 in October (revised). Consumer confidence in future conditions declined sharply as the Expectations Index, which measures consumer confidence in business, employment and family income six months from now fell to 87.0 from 93.8 in October. The Present Situation Index, which measures consumer confidence in current conditions fell moderately to 91.3 from 94.4.

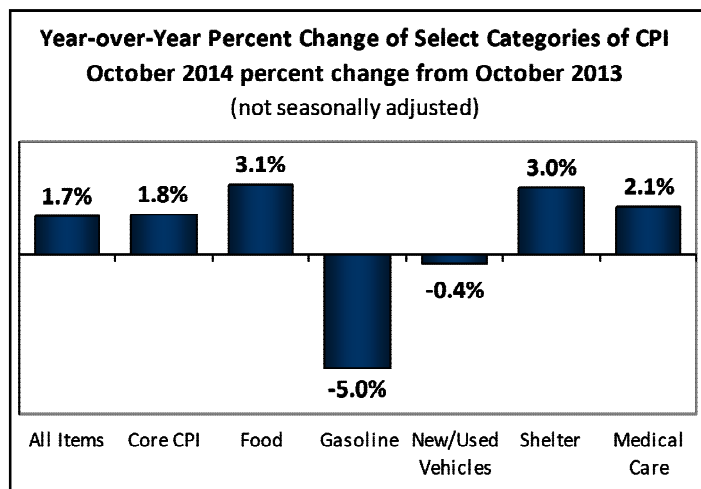
Lynn Franco, Director of Economic Indicators at The Conference Board noted, "Consumer confidence retreated in November, primarily due to reduced optimism in the short-term outlook. Consumers were somewhat less positive about current business conditions and the present state of the job market; moreover, their optimism in the short-term outlook in both areas has waned. However, income expectations were virtually unchanged and gas prices remain low, which should help boost holiday sales."

## Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers was unchanged in October, after increasing 0.1 percent in September. Among the major expenditure categories, the decline in the energy index (1.9 percent) offset increases in the food index (0.1 percent) and in the core CPI which excludes food and energy (0.2 percent). This was the fourth consecutive month of decline in the energy index, which was driven by the decrease in the gasoline, fuel oil and natural gas indexes.

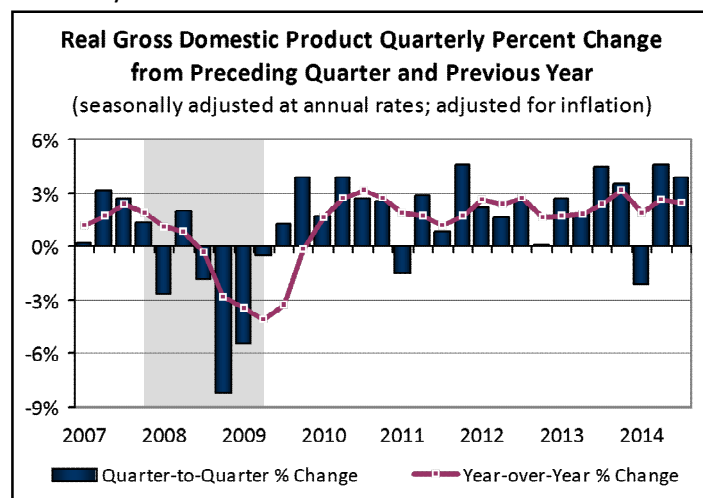
Compared to the previous year (October 2013), the CPI rose 1.7 percent in October before seasonal adjustment, the same year-over-year increase as in the past two months. Among the major expenditure categories, the food index rose 3.1 percent, which was the largest year-over-year increase since April 2012. The energy index fell year-over-year for the second straight month by 1.6 percent. The decline in the energy index was mainly due to the gasoline and fuel oil indexes. The core CPI which excludes food and energy rose 1.8 percent.



Source: U.S Bureau of Economic Analysis. Shaded areas represent recession as determined by the National Bureau of Economic Research.

## Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 3.9 percent (second estimate) in the third quarter, higher than the first estimate of 3.5 percent growth. The upward revision reflected a larger increase in consumer spending and business investment in equipment and intellectual property products, and a smaller decrease in business inventory investment.



However, the growth of 3.9 percent (second estimate) in the third quarter was lower than the 4.6 percent growth in the second quarter, which mainly reflected:

- **consumer spending** increasing 2.2 percent compared with a 2.5 percent growth in the second quarter;
- **business investment in inventory** increasing \$79.1 billion below second quarter's growth of \$84.8 billion;
- **business investment in structures** rising 1.1 percent compared to second quarter growth of 12.6 percent;
- **residential investment** rising 2.7 percent, following an 8.8 percent growth in the second quarter; and
- **state and local government spending** rising 0.8 percent after rising 3.4 percent in the second quarter.

